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AMERICA'S AGENDA FOR THE FUTURE

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A PLAN FOR AMERICA'S PROGRESS

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To the Congress of the United States:

AMERICA'S AGENDA FOR THE FUTURE

I. INTRODUCTION

On Tuesday night, I came personally before the Congress to review with you the progress of our Nation, to speak of unfinished work, and to set our sights on the future. In that address, I spoke of an America on the move—stronger than a year ago and growing stronger every day.

Almost 5 years ago I addressed a previous Congress and spoke of the need for policies that would promote economic growth and expansion, reduce the intrusion of government in areas where its role had grown too large, and strengthen our defense capabilities in order to protect the peace and fully meet our global commitments. These goals and that agenda have not changed, and although we have made significant progress, the work is not yet finished.

In addition to the proposals contained in my budget for FY 1987, this message—an *Agenda for the Future*—spells out in greater detail how we as Americans can continue to make progress in each of these areas and successfully meet the challenges of the next decade, the year 2000, and beyond.

II. PREPARING FOR A DECADE OF ECONOMIC GROWTH

Today, we see an American economic renaissance. Tax cuts, deregulation, and low inflation have freed the entrepreneurial genius of the American people, returned incentives to our economy, and powered 37 months of economic expansion. Sunrise firms light our horizons, while technology modernizes our factories and makes America more competitive in the international marketplace.

But this is only the beginning. Now is the time to build a solid foundation for a decade of economic growth—growth that will give us a full employment economy, with real jobs for all Americans from the sidewalks of Harlem to the shores of Hawaii. Now is the time to lay the groundwork for an ever-expanding economy that leads the world in innovation, performance, and productivity.

Budget and Budget Process Reform

The future beckons; we cannot let ourselves be held back by the growing burden of out-of-control Federal spending. Our FY 1987 budget meets the Gramm-Rudman-Hollings deficit targets while still fulfilling essential Federal responsibilities to Social Security, the truly less fortunate, and our national defense, without a tax increase.

Gramm-Rudman-Hollings can make a dramatic improvement. But experience shows that simply setting deficit targets does not

assure they will be met. We must begin now to put the budget process itself back in working order. An executive line-item veto will restore balance to the budget process and ensure that wasteful spending does not occur under the cover of appropriations bills.

Once we have made the hard decisions and gotten our budget down to size, we should lock in our gains with a balanced budget amendment to the Constitution—so that Government spending can never again grow out of control, threatening our economic well being and dreams for the future.

It is clear that the budget process is not working well. I hope to be able to work with the Congress, on a bipartisan basis, to make it both more efficient and less time consuming. For FY 1988 and beyond, I suggest changing the budget resolution to a joint resolution subject to Presidential signature and establishing binding expenditure subcategories within the resolution budget totals. In addition, serious study should be given to proposals for multi-year appropriations and to the development of a capital budget.

We will continue to improve the quality and efficiency of Federal management, and will work with the Congress to obtain legislation to fully implement our management improvement program. We have proposed legislation to extend the President's executive branch reorganization authority; improve Federal productivity; streamline financial management; prevent fraud; reduce error rates in benefit programs; and reduce regulations. We will also continue to work with the Congress on supplemental retirement system legislation for newer Federal employees and certain elected and appointed officials now covered only by Social Security.

Tax Reform

Our first tax cuts opened the way to prosperity; now is the time to fire the engines of growth with tax reform that is pro-fairness, pro-family, and pro-future. The House of Representatives has taken an historic first step; let us join together and go the distance. First, we must promise the American people never to betray their hopes for tax reform with a tax increase in disguise. True tax reform must be truly fair and make us more productive and competitive internationally, and that means raising the personal exemption to $2,000 for both itemizers and non-itemizers, at least for those individuals in the lower and middle income brackets; basic tax incentives for American industries, including those which depend upon heavy capital investment in equipment and machinery; effective dates which erase doubt and apprehension in the minds of those who must begin to plan for investments; a minimum tax which allows no individual or business to escape paying a fair share of the overall tax burden; a rate structure with a maximum no higher than the 35 percent I proposed; and tax brackets that are fully consistent with our desire to reduce taxes for middle income working Americans. I look forward to continuing our work with the Congress to enact this most important measure.

Antitrust Reform

If America hopes to compete successfully abroad, we cannot bind the hands of American business and industry at home. Therefore,

we are asking the Congress to remove unreasonable constraints on U.S. competitiveness by reforming our Federal antitrust statutory framework to reflect the global nature of our markets. These changes will enhance the vigor and competitiveness of American Businesses, while continuing to protect American consumers and businesses from adverse effects of practices such as monopolies, cartels, and price-fixing.

Product Liability Reform

The need for reform in the area of product liability is an important matter that affects businesses, including some who might no longer be able to afford product liability insurance, and consumers, who may pay higher prices for products or lose the availability of certain products altogether. We will continue to work with the Congress to establish a uniform standard of product liability that is fair to consumers and manufacturers alike.

Free and Fair Trade

As we knock down barriers to growth, we must redouble our efforts for freer and fairer trade. We have already taken actions to counter unfair trading practices and to open closed markets abroad. We will continue to do so. We will also oppose legislation touted as providing "protection" that in reality pits one American worker against another, one industry against another, one community against another, and that raises prices for us all. I believe that if the United States can trade with other nations on a level playing field, we can out-produce, out-compete, and out-sell anybody, anywhere in the world.

Trade is the life blood of the global economy. Growing world markets mean greater prosperity for America and a stronger, safer, and more secure world for the family of free nations. We will continue to work to promote a free, fair, and expanding world trading system by continuing to seek legislation authorizing a $300 million fund for combating predatory tied aid credits by other countries. In addition, we will propose legislation to strengthen and broaden protection of intellectual property. We will continue to work with the Congress to put into place other changes that reflect the principles and policies of free and fair trade.

We will continue to enforce vigorously the laws that protect against unfair trade, in particular Section 301 of the Trade Act of 1974 and the anti-dumping and countervailing duty laws. The Strike Force on Trade will continue its efforts to identify unfair foreign practices.

We will aggressively renegotiate the Multi-Fiber Arrangement (MFA), currently scheduled to expire July 1, 1986, on terms no less favorable than present. We are consulting with the U.S. textile and apparel industries to ensure that their views will be represented during these negotiations.

We will continue the market-oriented sector-selective (MOSS) talks, working with the Japanese to identify all the trade barriers in specific sectors and encouraging the Japanese to remove them. The talks are making progress and markets are opening up in telecommunications, pharmaceuticals, and other sectors. We will con-

tinue to press for the removal of barriers in these and additional sectors. We also welcome Prime Minister Nakasone's expressed determination to move toward the restructuring of Japan's export oriented economy.

Our Administration is also working vigorously to launch a new round of multilateral trade negotiations through the Preparatory Committee established last November by the GATT. Under the leadership of the U.S., the Preparatory Committee is developing the framework for negotiations that would strengthen the international trading system, eliminate unfair trade practices, and address major new problem areas in international trade such as services, intellectual property protection, and investment.

Our Administration hopes to begin discussions with Canada, our largest trading partner, to enhance freedom of trade between our two countries. We will work with the Congress to assure that a mutually beneficial agreement can be achieved.

In addition, we will engage some of ourmajor trading partners in discussing the idea of establishing a multinational or regional patent office. Such an office could provide a higher level of common patent protection, including coverage and terms, and establish a more efficient system for gaining patent protection beyond United States borders.

Further, we will work to correct the deficiencies in the new farm bill, including: the provision mandating a reduction in the amount of sugar permitted to enter the United States; the 3-year payment-in-kind bonus export program; and the new dairy program, which taxes milk producers to fund a program that obligates the Government to pay farmers to liquidate their dairy herds and to buy the meat in order to support prices.

The Global Economy

Today, America is part of a global economy. The constant expansion of our economy and exports demands a sound and stable dollar at home and reliable exchange rates around the world. It also demands that our trading partners grow along with us.

We cannot race forward to the future if our friends and allies are lagging behind. Many of the trade problems we are experiencing today are caused by the imbalance between our low-tax, high-growth economy and the high-tax, low-growth economies of so many of our trading partners. Our dynamic, expanding economy is hungry for goods from abroad; but economies still suffering under excessive taxation, over-regulation, and top-heavy government simply cannot afford to buy from us.

Our Administration is working to promote growth in the world economy by strengthening economic policy coordination among our industrialized trading partners. I have directed Treasury Secretary James A. Baker III to determine if the nations of the world should convene to discuss the role and relationship of our currencies.

Many of the developing countries, where large debts further oppress struggling economies, are in particularly dire straits. Our Administration will vigorously pursue implementation of our proposed "Program for Sustained Growth" to address problems of debt and declining growth in the developing countries. This program

calls for increased lending by commercial banks and an expansion of loans by multilateral development banks conditioned on structural reforms, including tax reforms, in the debtor countries.

I am looking forward to meeting with the other leaders of the industrialized nations at the Economic Summit this spring in Japan to discuss ideas and policies that can make the global economy stronger. These policies include removing structural rigidities in our economies that impede the captial and labor markets and improving the working of the free trade system, while resisting protectionism.

Employment Opportunities for All

Over 9 million new jobs have been created during the recovery and expansion. But more remains to be done, because no American can ever be left behind.

We will continue efforts to give American youth, particularly minority youth, job opportunities and a chance to develop essential job skills with a summer Youth Employment Opportunity Wage.

We will again seek Enterprise Zone legislation that provides Federal regulatory and tax relief to encourage jobs creation, economic development, and renewed hope in distressed areas. Seeing our National Enterprise Zone legislation stymied for 4 years in the House of Representatives, the American people have taken the initiative themselves, and now State and local Enterprise Zones are springing up all over the country, creating thousands of new jobs. Imagine the good that could be done if the House of Representatives caught the enterprise spirit and enacted Enterprise Zone legislation in 1986?

The Departments of Labor and Education have joined forces to more closely coordinate between the job training and education programs administered by the two departments. Our objective is to eliminate duplication and, at the same time, provide a broader range of assistance to individuals. We have already achieved progress in linking job training and apprenticeship with vocational education. Plans are underway to extend this partnership to many training and educational services in the community.

We will work with the Congress to use the Jobs Training Partnership Act to help American workers displaced by imports, adjust, develop new skills, and find new jobs through job search, training, and relocation assistance.

Deregulation

Deregulation is one of the great success stories of the 1980's. From plunging oil prices to lower airfares and consumer prices, deregulation has allowed free markets to work and consumers to receive the benefits. We will move forward to liberate the vital American economy from the grip of unnecessary regulation by:

—Continuing to work with the Congress to develop and implement proposals improving the safety, soundness, and competitiveness of the financial services industry, including reforms in Federal deposit insurance and regulatory frameworks.

—Continuing our support of legislation to eliminate virtually all remaining Federal regulations covering the trucking, freight

forwarder, and domestic water carrier industries, excepting those regulations mandating safety and insurance obligations.

—Seeking, in the field of energy, to completely deregulate the pricing of natural gas and to reform regulation of its transportation, and to remove the burden of unnecessary price regulation from the large part of the oil pipeline industry that is fully competitive and where regulation only increases costs and serves no useful public purpose.

—Continuing to seek legislation for standardized designs for nuclear power plants and to simplify the licensing process and provide a stable, predictable process that encourages nuclear plant construction and that offers consumers reliable, economic, and environmentally sound electricity.

Privatization

Over the past 50 years, the public sector has assumed many activities that are similar to, or even the same as, those done by the private sector. But when the private sector can deliver service more efficiently than the public sector, as it can with Conrail, then the Government must step aside. State and local governments have been in the lead in contracting out such public services as garbage collection, street cleaning, and even prison services to the private sector. Not surprisingly the result has been reduced costs and better service. The FY 1987 budget proposes to return some Federal activities to the private sector. We will also be considering other new opportunities to take advantage of the incentives for efficiency available in the private sector.

III. DEFINING OUR VALUES FOR A MODERN AGE

As we work to make the American dream real for all, we must adhere to traditional values, keep our faith in God, and put our trust in people, rather than in the Government, to solve the problems before us. We must continue to advance the education of our youth and provide for a safe, secure, and prosperous future for American families. Through a recommitment to our fundamental values, we can achieve a collective vision for a rising America—now, and for the future.

Education

Parents have a natural and inalienable right to educate their children, publicly and privately, as they see fit, and that right should be recognized and encouraged. If education reform is to be lasting and effective, we must rededicate ourselves to the viability of education administered at the local and State level. It is with this in mind that I am supporting the legislative and administrative recommendations outlined below.

Our Administration has advanced The Equity and Choice (TEACH) legislative proposal aimed at expanding opportunities for educationally disadvantaged children. It will increase opportunities for parents to choose a school that best meets the needs of their children; foster diversity and encourage innovation by introducing the element of competition among schools; and increase private

sector involvement in providing education to disadvantaged children.

Our Administration will again seek Federal tuition tax credits for parents who send their children to private elementary and secondary schools. These credits will foster more choice, improve the quality of both private and public schools, and treat more fairly parents exercising educational choice.

Our Administration seeks to expand State and local flexibility to use Bilingual Education Act funds for whatever instructional approaches will best meet the needs of children with limited proficiency in English. The Education Department has already proposed new regulations to give localities the full degree of flexibility allowed under the current law. We will also propose legislation to remove the remaining statutory impediment—the 4 percent limitation on funding for special alternative programs.

We will ask the Congress for amendments to the Higher Education Act to restructure Federal student aid. This program must be made more cost effective. It should be structured to give needy students greater flexibility and choice in financing their post secondary education. We again propose establishing an Education Savings Account that will exclude from taxable income the earnings on any savings deposited in a special account for post-secondary education. Such a provision would increase the self-sufficiency of parents and students and strengthen our higher education system.

Our Administration will seek legislative amendments retargeting teacher development and retraining funds. The focus of this funding should be on improving the quality of our Nation's elementary and secondary school teachers.

There is currently a staggering and wholly unacceptable number of illiterate Americans. Much illiteracy can be traced to poor methods of teaching reading. Education Secretary Bennett will cooperate with other Cabinet officers to improve the administration of the more than 70 Federal programs aimed at improving literacy in our country. They will make sure that the most cost effective methods of teaching reading are used where Federal programs are involved. This will lead to reduced costs and improved literacy.

The Federal Government has a significant role in providing useful and reliable information to the American people about education. Armed with such information, our citizens can be trusted to improve the education of their children. Secretary Bennett will soon release a report, *What Works,* that will be a notable landmark in this effort.

Welfare

I have charged the White House Domestic Policy Council to present me by December 1, 1986, an evaluation of programs and a strategy for immediate action to meet the financial, educational, social, and safety concerns of poor families—a strategy for real and lasting emancipation.

As we work to make the American Dream real for all, we must also look to the condition of America's families. Struggling parents today worry how they will provide their children the advantages their parents gave them. In the welfare culture, the breakdown of

the family, the most basic support system, has reached crisis proportions—in female and child poverty, child abandonment, horrible crimes and deteriorating schools. After hundreds of billions of dollars in poverty programs, the plight of the poor grows more painful. But the waste in dollars and cents pales before the most tragic loss—the sinful waste of human spirit and potential.

An effective pro-family anti-poverty program must both meet the legitimate subsistence needs of the poor and create an environment leading to less poverty and less dependence on Government support. The current collection of programs designed to assist the needy costs nearly $120 billion annually. Yet we have almost 30 million people still in poverty and these programs are run in such an uncoordinated fashion that many who are not poor receive benefits intended for the poor. Moreover, by failing to promote self, family, and community responsibility, these programs encourage dependency and entrench the very poverty they were intended to alleviate.

We can ignore this terrible truth no longer. As Franklin Roosevelt warned 51 years ago: Welfare is "* * * a narcotic, a subtle destroyer of the human spirit." And we must now escape the spider's web of dependency.

I look forward to the Council's report, and then working with the Congress to revamp this very important area of government services.

Health

America's health care system is the finest in the world. More people receive better health care services here than anywhere else in the world. Further improvements should build upon the fundamental strengths of this system, leaving the provisions and financing of most health care services in the private sector.

Our health care system, however excellent, is also extremely expensive, and costs continue to rise rapidly. A primary reason for the escalating cost of health care is that adequate incentives for keeping costs down were not built into the system, and there has been a lack of competition in the field of health services. We made a significant improvement with the Prospective Payment System for hospitals under Medicare, implemented in 1984. As a result, health care spending increases have slowed.

Appropriate Federal Government action can lead to a more efficient health care system. To accomplish this we must rely on market forces to produce the level of services the consumers desire to buy, at the quality and cost they will accept. In a time of overall budget restraint, health care spending is not and should not be exempt. Therefore, any new programs should be fully financed and should not increase the budget deficit.

After seeing how devastating illness can destroy the financial security of a family, I am directing Secretary of Health and Human Services, Dr. Otis Bowen, to report to me by year-end with recommendations on how the private sector and Government can work together to address the problems of affordable insurance for those whose life savings would otherwise be threatened when catastrophic illness strikes.

Our Administration will continue to support the concept of prepaid health care, and will seek legislation emphasizing competition and broadening the types of health plans that qualify as alternatives to traditional Medicare coverage. Our Administration will encourage private health care providers to develop less costly plans and programs directed at maintaining health rather than treating illness, including those that call for a fixed annual payment for a given benefit package.

Our Administration will initiate a major study of high malpractice insurance premiums paid by health care providers and practices that minimize malpractice exposure. We will look for ways to reduce the impact of medical liability on health care costs while retaining quality care.

We will continue, as a high priority, the fight against Acquired Immune Deficiency Syndrome (AIDS). An unprecedented research effort is underway to deal with this major epidemic public health threat. The number of AIDS cases is expected to increase. While there are hopes for drugs and vaccines against AIDS, none is immediately at hand. Consequently, efforts should focus on prevention, to inform and to lower risks of further transmission of the AIDS virus. To this end, I am asking the Surgeon General to prepare a report to the American people on AIDS.

Our Administration will accelerate the processes for bringing safe and effective new drug therapies and new medical devices to ease pain and suffering of millions of Americans while providing consumers with more choice at less cost. We will continue nationwide protection programs to ensure that approved food, drug, and device supplies are safe. Education and other forms of prevention will be stressed.

Justice and Public Safety

Our system of justice is dedicated to and guided by the belief that the Constitution creates a government that is both limited and energetic. The Constitution carefully enumerates the powers the Federal Government may wield. But where the power is legitimately given, the Constitution also provides the means for a forceful and energetic execution of the law. We are committed to bring the full force of the law to bear on those who transgress its prohibitions or ignore its commands.

In carrying out our laws, we have four priorities. First, to protect the law abiding from the lawless with due and careful deference to the constitutional rights of all citizens. Second, to safeguard individual privacy from improper governmental intrusion. Third, to defend vigilantly and energetically the civil rights of all Americans. And fourth, to promote legal and regulatory structures designed to conserve and expand economic freedom.

In this regard, our Administration will continue to seek legislation to:

—Restore constitutional procedures to impose capital punishment for especially heinous Federal crimes, including the most vile acts of murder, treason, and espionage.

—Modify habeas corpus procedures so as to give greater finality to State court criminal judgements and reduce the seemingly unending chain of appeals and re-appeals.

—Reform the exclusionary rule to allow use of certain types of truthful evidence that may now be shielded by the Federal courts.

These fundamental anti-crime measures deserve the prompt attention of the Congress. I pledge the consistent and determined efforts of the Executive branch to implement these improvements.

Our Administration will continue to investigate and prosecute fraud and other economic, or "white collar," crimes. The Congress can support improved enforcement in this area by completing action on anti-fraud legislative proposals introduced last year. These include the Money Laundering and Related Crimes Act, False Claims Act Amendments, Program Fraud Civil Penalties Act, Contract Disputes Act and Federal Courts Improvement Act Amendments, Bribes and Gratuities Act, Grand Jury Disclosure Amendments, Anti-Fraud Criminal Enforcement Act, and the Federal Computer Systems Protection Act.

The workload of the Federal courts has skyrocketed in recent years. To ensure fairness and consistency in the administration of justice, our Administration will continue to appoint highly qualified judges who support the limited policy making role of the Federal courts envisioned by the Constitution. The Founding Fathers did not want our judiciary system to be first among equals. They wanted it to be one of the co-equal branches of government.

Our Administration considers improvements to the Federal drug law enforcement program to be one of its top domestic priorities. Thus, we will continue efforts to eradicate illegal drugs before they can be harvested, and to reduce demand for these narcotics by opening the eyes of our Nation's young people to the damage drugs do to the health and lives of anyone who uses them. The Vice President will continue to provide strong leadership in demonstrating the importance of coordinated effort by all the Nation's law enforcement agencies to reduce the flow of narcotics in this country. Through our Organized Crime Drug Enforcement Task Force Program, we will strike at organized criminal elements who profit from drug trafficking.

Our Administration will be calling for the help of all Americans in our battle to eliminate organized crime's extensive influence in American society. Every Government agency will be mobilized and will cooperate with local and State police to wipe out all types of organized crime. The forfeiture provisions already enacted in the Administration's comprehensive crime control package will allow us to stem the life blood of organized crime by impounding some of their illicit proceeds. However, further reform and toughening of these procedures is in order.

Our Administration will continue to help victim of crime through State victims assistance programs. We have drafted model legislation for States to ease the burden on crime victims.

Our Administration continues to support legislation to reform the Nation's immigration laws. This includes granting amnesty to certain qualified aliens and prohibiting employment of illegal aliens.

Our Administration is completely and totally dedicated to the safety of air travel and the security of our airports. In the United States each day, 14,000 flights carry 1 million passengers. To further guarantee their safety we will continue to increase the number of air traffic controllers and inspectors. We have improved safety regulations and in-depth inspection of air carriers and equipment. We are modernizing our airspace system to make the safest system in the world even safer and more efficient. We have expanded the Federal air marshal program, increased security training of flight crews, and required background checks for all persons with access to aircraft or secure airport areas—all measures that will enhance the security of the traveling public.

Personal Freedom

The protection of personal freedoms is one of the primary responsibilities of our constitutional form of government. Whether it is the right to worship, the right of free speech or the right to life, it is essential that we reaffirm our commitment to the defense of these fundamental freedoms. These rights and responsibilities must be constantly protected if America is to remain at the forefront of advancing personal freedom throughout the world. The constitutional guarantee of our individual rights will strengthen the family and make the future bright for generations to come.

We will continue to prosecute those who violate anti-discrimination laws. Instead of schemes that impose arbitrary numerical requirements, which really help no one and insult all who have worked hard to qualify for the jobs they seek, we need to focus instead on providing true opportunity to compete for employment in the marketplace.

Our Administration continues to support strengthening the Federal fair housing laws and efforts to create free and open housing opportunities for all Americans. the amendments we have proposed will stimulate voluntary efforts in support of fair housing and provide stronger penalties for those who break the law.

From the early days of the colonies, the right of school children to pray voluntarily has been a revered and important tradition. In 1984, I signed the equal access legislation which allows students in public secondary schools to meet voluntarily for religious purposes during non-instructional periods. But there is more to be done. The right to pray in school is a fundamental American liberty. I again ask the Congress to pass a constitutional amendment to restore the right of students to voluntarily pray in our public schools.

Our Administration will continue seeking to restore a proper balance between protecting the free exercise of religion and preventing establishment of religion as provided by the First Amendment. We will do this by filing *amicus* briefs in court actions where the Attorney General determines that government is improperly interfering with the constitutional guarantees of religious freedom, and will protect the American public against any form of persecution or religious intolerance.

America was founded with a ringing affirmation of the transcendence of human rights. Our Declaration of Independence proclaims that the rights to "Life, Liberty and the pursuit of Happiness" are

not a grant from the government, but a gift from the Creator; and we declared that the same Divine Providence in which the new Nation placed its "firm reliance" imposes on government a solemn duty to respect and secure these fundamental rights. We will work to restore the legal protection of the unborn and carry this message to our courts, our legislatures, and our fellow citizens. The Congress should pass legislation prohibiting the use of all Federal funds to finance, promote, encourage or otherwise support abortion. Abortion is the taking of human life, and it debases the underpinnings of our country.

Environment

By most conventional measures of environmental quality, the air and the waters of the United States continue to improve as a result of the enormous national commitment to these goals that has come about since 1970. Likewise, we continue to be ever more careful stewards of our lands and their abundant natural resources—wildlife, soils, minerals, fuels, and forests. We are moving aggressively to eliminate serious contamination of valuable land and ground water from the past mismanagement of hazardous wastes.

Human institutions can encourage or constrain the ability of people to make the best use of their resources and to solve environmental problems. Rational policies that recognize and make effective use of economic incentives should help to improve the management of our environment and natural resources by stimulating new achievements on the part of the American people. Efficient use of the Nation's resources, guided whenever possible by free markets rather than centralized controls, will work to promote environmental health, economic productivity, and fiscal responsibility.

Environmental protection regulations should be fashioned so that innovation and the substitution of progressively safer new products and technologies for old ones are not inhibited, especially where risk reduction or increased benefits will be the likely result. We must be alert least government restrictions, however benevolently aimed at protecting the public as a whole, begin to hamper the creativity and productivity of entrepreneurs and other individuals who also can bring about social advances.

Consistent with these thoughts, our Administration continues to support reauthorization of the Comprehensive Environmental Response Compensation and Liability Act—Superfund—for another 5 years. While we are firmly opposed to funding this through a value-added tax, we urge the Congress to keep the clean-up of hazardous waste a high priority.

Our Administration will continue to propose legislation for additional National Wild and Scenic Rivers/Wilderness designations as part of our efforts to preserve natural environment areas.

We will continue to work with the Congress to closely examine the Nation's major environmental laws and will pay close attention to balancing tradeoffs among social costs, risk, and environmental protection. We will encourage market-oriented strategies throughout this process.

All Americans should take pride in their outstanding public lands and historic sites that belong to everyone. The Departments

of Interior, Agriculture, Education, and Army (Corps of Engineers) and the Environmental Protection Agency will work together on a "Take Pride in America" campaign. We must all work for a renewed awareness that these lands are our lands.

Recognizing that environmental problems do not stop at national boundaries we will continue to collaborate closely with other nations, on issues such as acid rain, to maintain the quality of the global environment and improve the management of natural resources of common interest. The United States has long been the world leader in making its scientific talent, data and information, and financial resources available to the international community for these purposes, and we intend to maintain such a role.

Federalism

The United States is, and was intended to be, governed by a Federal system. State and local governments play a significant role in the life of our country. During the 1970's, State and local governments were often bypassed as the Federal establishment grasped more and more authority. As Government became farther and farther removed from the people, it became less efficient and less responsive.

Today, we have reversed the trend toward centralization. State and local governments are again assuming their rightful role. This is a trend we must encourage. We must see to it that State and local governments are able to do those jobs that they can do best.

Through block grants, we have been able to cut through Federal red tape and allow State and local officials to design and administer programs that make sense to them and their taxpayers. Accordingly, the budget I submitted contains proposals for new block grants, and maintains healthy funding levels for the ones already in place.

We are working with State and local government officials and organizations to compile a roster of major Federal regulations for revision or elimination. We will also seek to standardize agency grant management practices that will reduce administrative costs and confusion.

In recent years, many municipal governments have expressed great concern over the dramatic increase in exposure to lawsuits for damages arising out of their performance of vital governmental functions. As a result of this increased liability, many municipalities cannot even obtain insurance coverage. A substantial portion of this liability is imposed under various Federal statutes and programs. We will work closely with State and local governments in 1986 to address this problem.

Our Administration will continue working with State and local governments to ensure that environmental statutes are properly enforced and managed. Such activities have already fostered an atmosphere of mutual cooperation leading to stronger and more efficient enforcement of our environmental laws.

IV. ADVANCING THE TECHNOLOGICAL ERA

The national security and economic success of the United States can be traced, to a large degree, to the close, constructive cooperation between government, industry, and academia.

As we move from basic research to development of new products, it becomes more difficult to justify Government's role. The most effective role of the Federal Government is supporting basic research. Recognizing this, the Administration has shifted resources toward this end, and our FY 1987 budget proposes an increase in funding in this area. We are also seeking to renew the tax credit for additional private sector research and development, and will encourage commercial application of federally sponsored research and development.

Our Administration will continue to support basic research in the promising new field of biotechnology. We will seek to provide for protection of intellectual property in biotechnology in order to promote innovation, and will ensure that health and safety regulations are adequate to ensure that new products are safe.

Our Nation remains fully committed to America's space program that includes our shuttle flights, a Space Station, space transportation, assured access to space, and programs required to protect the right to operate in space. We also seek a strong space science program that will exploit space as a research laboratory for development of aerospace flight, Earth sensing and advanced technology programs required in the 1990's and into the 21st century. Research has already begun on an aerospace plan that could, by the end of the next decade, take off from Dulles Airport and accelerate up to 25 times the speed of sound, attaining low-earth orbit or flying to Tokyo within 2 hours.

We will continue to look for appropriate initiatives to benefit the civil and commercial communities that will encourage private sector investment and involvement in civil space activities and promote greater international cooperation in pursuing opportunities in space. We must remain a leader in conquering new frontiers or we, as a people, will surely fall behind.

V. EXPANDING THE FAMILY OF FREE NATIONS

In the area of foreign affairs, America will continue to encourage democracy, freedom, and respect for human rights around the world. We will be a strong and reliable ally to our friends, and a firm but hopeful adversary for those who, for now, choose not to be our friends. With the former we hope for continued harmony; with the latter, for progress toward that most elusive of goals, peace.

A Relationship Based on Realism

Our relationship with the Soviet Union must be supported by the twin pillars of hope and realism. The United States and the Soviet Union are not alike; we are not two equal and competing Superpowers divided only by a difference in our "systems." The United States is a free and open society, a democracy in which a free press and free speech flourish. The people of the Soviet Union live in a closed dictatorship in which democratic freedoms are denied. Their

leaders do not respond to the will of the people; their decisions are not determined by public debate or dissent; they proclaim, and pursue, the goal of Leninist "revolution."

And so the tensions between us reflect differences that cannot be wished away. But the future is not predetermined. Knowing this, and truly desiring to make the differences between us smaller and more manageable, the United States continues to pursue progress in all aspects of our relationship with the Soviet Union.

Our Administration seeks to ensure that this relationship remains peaceful. We want restraint to be the Soviet leadership's most realistic option and will see to it that our freedoms and those of our Allies are protected.

We seek a secure future at lower levels of arms, particularly nuclear forces, through agreements that are equitable and verifiable. The soundness of our proposals, our renewed military strength and our bipartisan determination to assure a strong deterrent create incentives for the Soviet Union to negotiate seriously.

We can move toward a better, more cooperative working relationship with the Soviet Union if the Soviet leadership is willing. This will require full Soviet compliance with the letter and spirit of both past and future agreements.

There is much work to be done. I will meet General Secretary Gorbachev later this year, and in preparation my Administration will pursue discussions with the Soviet government at all levels. I also hope to see greater communication and broader contact between our peoples. I am optimistic that if the Soviet leadership is willing to meet us halfway, we will be able to put our relations on a more cooperative footing in 1986.

Sustaining Our Strong Commitment to National Defense

In spite of our current discussions, the Soviet leaders are continuing a massive military buildup that threatens the United States and our free world allies. Real arms reductions are possible only if the Soviets and others do not doubt our strength and ability to counter aggression.

Keeping America strong, free, and at peace is solely the responsibility of the Federal Government; it is Government's *prime* responsibility. We have devoted 5 years trying to narrow a dangerous gap born of illusion and neglect. And we have made important gains.

In the past 5 years, our Administration has reversed the decline in defense funding that occurred during the 1970's and has made significant progress in strengthening our military capabilities. Last year the Congress and I reached a deficit reduction agreement. We pledged together to hold real growth in defense funding to the bare minimum. My 1987 budget honors that pledge. It proposes defense levels that are essential simply to maintain the defense capability that we have achieved in the face of the continuing Soviet military buildup. I am now asking Congress to keep *its* end of the bargain. With the additional cuts under Gramm-Rudman-Hollings, FY 1986 budget authority for defense corresponds to more than a 5 percent real decline. This simply cannot continue. I am proposing 1987–1991 defense levels which provide the real program growth agreed to in last year's Budget Resolution. It is critical that these levels be

supported. The world must know that if America reduces her defenses, it will be because of a reduced threat, not a reduced resolve.

We will continue vigorously to pursue our strategic modernization program in my 1987 budget—to modernize our bomber, ICBM, and missile-submarine forces so as to assure effective and stable deterrence.

Our Administration will also actively continue research into new technologies in search of secure strategic defense systems. The Strategic Defense Initiative offers the prospect of finding such systems, which threaten no one, to keep the peace, protect the United States and our allies in greater safety, and ultimately to eliminate the threat of nuclear weapons by making nuclear-armed missiles obsolete. We have invited allies to join us in this research effort. We have already agreed with Great Britain to undertake cooperative research and are laying the groundwork for cooperation with others.

We have witnessed in the past 5 years a remarkable improvement in personnel quality and retention throughout all components of the Military Services. My 1987 budget continues to ensure that the high quality of our forces is maintained.

Our Administration is strongly committed to improving management of our defense programs. I look forward to receiving the recommendations of my Blue Ribbon Commission, chaired by David Packard, which has been reviewing this issue. The Department of Defense will continue to root out waste and inefficiency and will aggressively initiate any new improvements necessary to assure that taxpayer dollars are well spent. We will also pursue organizational changes, where appropriate, to ensure the continued effectiveness of our Armed Forces.

While acknowledging the importance of the free flow of knowledge and information for commercial purposes, our Administration will not sacrifice our strategic technological advantages in the area of national security. We will forcefully administer the Export Administration Act.

Our Administration has pressed the governments of Indochina for the fullest possible accounting of the POW/MIA question. These efforts have shown significant progress and will continue. We will continue to pursue, with all resources available to us, reports of Americans who could still be held captive.

We will continue to support the nearly 28 million veterans who have given faithful service in defense of our Nation. We will provide quality medical care, fair and compassionate disability compensation, and other benefits for eligible veterans.

Support for a World of Hope

The United States continues to pursue a world of hope where people are free to choose the political system by which they will be governed. We seek to roll back the tide of tyranny; we seek to increase freedom across the face of this planet, for serving the cause of freedom also serves the cause of peace. It is for this reason that Americans have always supported the struggle of freedom fighters. It is also why I put forward my "regional initiative" at the United Nations last fall—a three-stage plan for ending a series of danger-

ous wars that have pitted a series of governments against their own people and their neighbors.

As we have in the past, America must actively wage the competition of political ideas—between free government and its opponents—and lend our support to those who are building the infrastructure of democracy. Failure to sustain other democracies will be very costly in the long run, both materially and spiritually.

In Afghanistan we must continue to help the forces fighting a Soviet invasion and an oppressive Communist regime. As a result of the Soviet Union's military presence and vicious campaign against the freedom fighters, a quarter of the Afghan population has been killed or has fled to refugee camps. The Afghan people will have our support as long as the Soviet Union continues its war against them.

In Latin America the trend toward elected civilian governments continues, with Guatemala as the latest new entry. Over 90 percent of the people of Latin America and the Caribbean now enjoy democratic rule. That compares to less than one-third only 5 years ago. However, Communist subversion and the insidious spread of narcotics trafficking continue to menace that region. In fact, they sometimes work hand in hand, as in Colombia, where insurgents are increasingly linked to drug traffickers and narcotics growers.

The Central American democracies need our help. Our assistance is crucial, as demonstrated by the success of El Salvador in preserving democractic institutions in the face of a Communist insurgency. The levels of economic and security assistance we will request for Central America are the absolute minimum needed to maintain progress toward the objectives set out in the report of the Bipartisan Commission on Central America.

For moral and strategic reasons, we must continue to support those seeking democracy in Nicaragua. The Nicaraguan resistance is fighting not only the Sandinistas, but Cubans armed with Soviet weapons. I will be asking the Congress to provide the Nicaraguan freedom fighters with the moral and material support they require to continue and expand their struggle. We will continue to press the Sandinistas to negotiate with their own people and to fulfill the promises made to them of genuine democracy. Reconciliation in Nicaragua, based on democratic elections, remains the key to peace in Central America.

In Africa, many countries have experienced deep economic distress and starvation in the past year, brought about in part by the drought and in some cases—particularly Ethiopia—by the brutal policies of a Communist regime. As the human cost of such policies mounts, we encourage African governments to take the lead in moving toward economic and political freedoms.

We are moved by the efforts of freedom fighters such as Jonas Savimbi and the members of UNITA. They deserve our support in their brave struggle against Soviet-Cuban imperialism in Angola. We will work with the Congress to determine the most effective way of providing support.

In South Africa, we stand forthrightly on the principle that the government must achieve freedom and justice for all its citizens. Apartheid, in our view, is doomed. We have a major stake—as elsewhere, both moral and strategic—in encouraging a peaceful transi-

tion and avoiding a terrible civil war. This is why we reject the approach of those on both sides who pursue violence and oppression. Our ability to affect the ultimate outcome is limited, but we will continue to employ our good offices—both official and private—to pursue dialogue and negotiation as the best way to change the system while protecting the future of all South Africans.

In Southeast Asia, the United States supports ASEAN in its efforts to aid the struggle of the Cambodian people to free their country from foreign occupation while aiding Thailand, the ASEAN front-line state. As in other regions, we are prepared to contribute to a negotiated settlement of this war, in the context of the proposals I put forward at the U.N. General Assembly last year. We are implementing humanitarian measures in response to the refugee problems in the region.

We are concerned by developments in the Philippines, our longtime ally, and will work to encourage political moderation, fair play, and the strengthening of democratic institutions. Only on this basis can the people of the Philippines check and ultimately defeat an insurgency whose goal is to end democracy.

No discussion of peace and freedom can be complete without a reference to Europe's great and just hope: and end to the artificial division of the continent. The dividing line between freedom and oppression is one boundary that can never be made legitimate. The most significant way of making all Europe more secure is to make it more free.

We stand for the principles of freedom, democracy, the rule of law, unconditional human rights, and government with the consent of the governed. The cause of Poland's Solidarity continues to arouse the conscience of mankind. Solidarity will not die because its heartbeat is an indestructible truth that resonates in every human heart.

We can help those seeking democracy not only by economic and military aid, but with ideas and the active involvement of democratic parties and institutions. The National Endowment for Democracy has a creative role to play in fostering the ideals that make democracy work.

Alliances and Friendships

America's strength and staying power are the essential prerequisites for strengthening our alliances and friendships and for protecting the values and interests that bind us together. In Europe we have launched, together with our NATO allies, a Conventional Defense Initiative to find more effective means to improve our conventional deterrent; we are also seeking ways, with congressional support, to stimulate armaments cooperation. The alliance remains firmly on course in deploying NATO intermediate-range weapons to counter Soviet SS–20 missiles. We are also continuing alliance implementation of the decision to reduce by 1,400 the number of nuclear warheads available to NATO, bringing our theater-nuclear inventory to its lowest level in 20 years; this decision is being carried out despite the absence of reductions by the Soviet Union.

In our relations with Japan, we will expand our efforts to resolve bilateral trade issues through trade liberalizing solutions that open

Japanese markets to American goods. We continue to rely on the United States-Japanese Mutual Security treaty as a pillar of Asian peace and stability.

Our commitment to the security of the Republic of Korea has never been stronger. We have a number of differences on trade issues but believe the market-opening steps being taken or under consideration by the Republic of Korea will alleviate these difficulties.

Elsewhere in Asia I will continue to expand and deepen cooperation with China, and improve our relationships in Southeast Asia and the dynamic Pacific Basin as a whole. Termination of United States Trusteeship over the Micronesian Territories, which I hope we can achieve this year, will be a landmark in our relations with the emerging Pacific Island nations and a symbol of our support for democracy and freedom everywhere.

One of the areas most critical to our security is the Middle East. Security assistance to the countries of the region is important to maintaining United States influence, to preventing Soviet intimidation and exploitation, and to giving friendly governments the confidence to move toward peace in the face of often violent opposition. We are helping Israel and Jordan to narrow their differences in the peace process. We will continue our efforts to facilitate direct negotiations between Israel and her Arab neighbors. We must also enlarge the gains already made between Israel and Egypt.

In South Asia major strides have been taken in the past year to advance regional peace and prosperity. A new regional association was inaugurated to grapple with the twin killers of narcotics and terrorism. The leaders of India and Pakistan have met frequently to address outstanding differences. The United States stands ready to promote regional peace and reduce the risk of a South Asian nuclear arms race in any way we can.

In terms of our legislative intentions, let me be clear: in all these regions of the world, a strong security assistance program is one of the most effective, and least costly, ways of protecting interests we share with allies and friends. I will work with the Congress to preserve this invaluable policy tool. I will also seek congressional approval of our requests to sell arms to Jordan and other pro-Western governments in the Mideast.

Countering Terrorism and Espionage

Terrorism is a growing threat, as evidenced by the increased targeting of innocent civilians engaged in innocent pursuits. We are taking several measures to increase our capability to deal with this scourge. We are aware that it thrives with the support of nations such as Libya that provide funding, logistics, direction, and safehavens.

The Vice President's Task Force on Combating Terrorism, formed at my direction last July, has submitted its report to me with a series of recommendations. Our Administration has already begun to implement those recommendations that are within the purview of the Executive Branch. We will increase our intelligence cooperation with friendly nations to share information on terrorist plans and intentions. Our intelligence community will place great-

er emphasis on collecting information on terrorist groups and their state supporters. And we will increase our readiness to strike back at terrorists where they have been identified and their responsibility for actions against Americans has been determined. Those countries that support and direct the terrorists should know there is no refuge, there is no hiding place, there is no sanctuary that will keep them safe forever.

Our Administration will continue, on its own and in cooperation with allies, with private sector transportation companies, and with international organizations, to take preventive and response measures to counter the brutal, savage terrorist attacks on innocent people. Through the Federal Bureau of Investigation here at home and intelligence services abroad, we will act to head off terrorist incidents before they can occur. Our tightened security measures already include new regulations for checked baggage, cargo, and access to aircraft. We are working with the International Civil Aviation Organization and the International Maritime Organization to enhance security standards worldwide.

Our Administration will ask the Congress for legislation to further improve security measures, enhance anti-terrorism assistance programs and in general enable us to meet our counter-terrorism responsibilities. We are requesting additional funds to improve the security of our diplomatic missions abroad and of foreign diplomats here in the United States. We are also asking the Senate to approve the Supplementary Extradition Treaty with the United Kingdom to allow the return of international terrorists for trial. This treaty will assure that our own courts cannot become a sanctuary for certain terrorists and will serve as a model for cooperation between nations.

Our Administration will continue to counter the threat posed by the worldwide activity of hostile intelligence services such as the KGB and GRU. We will follow a realistic approach to countering illegal technology acquisition, espionage, and the attempt to manipulate public opinion through active measures and disinformation. We will enhance our world effort to identify and neutralize the activity of intelligence services working against American interests or threatening our security.

VI. CONCLUSION

What we accomplish this year, in each challenge we face, will set our course for the balance of the decade, indeed for the remainder of the century. After all we've done so far, let no one say this Nation cannot reach the destiny of our dreams. America believes, America is ready, America can win the race to the future—and we shall.

RONALD REAGAN.

THE WHITE HOUSE, *February 6, 1986.*

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